

Mark Sanford, Chairman
Governor

Grady L. Patterson, Jr.
State Treasurer

Richard Eckstrom
Comptroller General

State Budget and Control Board South Carolina Retirement Systems



Peggy G. Boykin, CPA
Director

803-737-6800

1-800-868-9002

Hugh K. Leatherman, Sr.
Chairman,
Senate Finance Committee

Robert W. Harrell, Jr.
Chairman,
Ways and Means Committee

Frank W. Fusco
Executive Director

IMPORTANT INFORMATION FOR COVERED EMPLOYERS *Please read immediately.*

FROM: Peggy G. Boykin, CPA

RE: Return to Work/Break in Service Requirements
TERI Participant Annual Leave Payouts
Working Retired Member Contributions

DATE: June 15, 2005

Return to Work/Break in Service Requirements

State and federal laws require a member to separate from employment covered by the South Carolina Retirement System (SCRS) or the Police Officers Retirement System (PORS) before drawing a retirement benefit under either of these systems.

The South Carolina General Assembly has specified that a member of either SCRS or PORS must be retired for at least 15 consecutive calendar days before returning to work for an employer covered by any pension plan governed by Title 9 of the 1976 Code of Laws.

A TERI participant is considered retired from SCRS at the beginning of the participant's TERI program period. Therefore, each day of TERI participation counts toward the 15 consecutive calendar days of "retirement" required before a TERI participant can return to covered employment.

Although a TERI participant may satisfy the 15-day retirement requirement through TERI participation, state and federal laws nonetheless require a severance from employment before a TERI participant can receive a distribution of his or her accumulated TERI funds or draw an annuity. The state separation rule was intended to mirror the federal separation requirement. The Internal Revenue Service (IRS), however, has not issued a ruling on the matter.

Absent an IRS ruling, each employer must determine, in accordance with its personnel rules, the uniform minimum period of time that it would require for a legitimate severance of employment between a member's termination from employment at the end of TERI and the rehiring of the member.

IMPORTANT INFORMATION CONTINUED ON REVERSE SIDE OF THIS DOCUMENT

TERI Participant Annual Leave Payouts

TERI Participants before July 1, 2005

If a current Teacher and Employee Retention Incentive (TERI) program participant, one who entered TERI before July 1, 2005, receives a second annual leave payout at the end of his or her TERI period, no retirement contributions should be deducted from the second annual leave payout. This payout is not considered normal earnable compensation and should be treated like a bonus or special payment for which no retirement contributions are deducted. The payment for unused annual leave was included in the member's average final compensation calculation at the beginning of his or her TERI period, so no subsequent adjustment is necessary.

TERI Participants on and after July 1, 2005

For TERI participants who enter TERI on or after July 1, 2005, and receive an unused annual leave payout at that time, no retirement contributions should be taken on an annual leave payout at the beginning of the TERI period. Any payout at the beginning of TERI is not paid at termination, is not considered normal earnable compensation, and should be treated like a bonus or a special payment for which no retirement contributions are deducted.

State employees who TERI on or after July 1, 2005, will no longer receive an unused annual leave payout at the beginning of their TERI period.

Retirement contributions should be deducted on the value of up to 45 days' unused annual leave paid at **termination** of employment at the end of the TERI period. The average final compensation for members who enter TERI on or after July 1, 2005, will be recalculated to include this annual leave payment in the average final compensation for the member's post-TERI monthly annuity.

Working Retiree Contributions

Employee and employer contributions are due regardless of whether a retiree is hired as a temporary employee or a substitute teacher. The membership exemption for temporary employees set out in S.C. Code Ann. Section 9-1-550 does not apply to an employee who, like any retiree, is already a member of SCRS.

If you have any questions about this information, please contact Customer Services at (800) 868-9002, (803) 737-6800, or cs@retirement.sc.gov. You may also wish to register to attend one of our legislative update sessions for covered employers. Please see information below.

Retirement Systems Legislative Update Seminars

June 27, 2005, and July 1, 2005

**Department of Health and Environmental Control's (DHEC) Peebles Auditorium
2600 Bull Street
Columbia, South Carolina**

Seminar registration and seating will be on a first-come, first-served basis. To register for one of the seminars below, please contact Customer Services at (800) 868-9002, (803) 737-6800, or cs@retirement.sc.gov.

June 27, 2005

9:00 a.m. to 10:00 a.m.
11:00 a.m. to noon

July 1, 2005

9:00 a.m. to 10:00 a.m.
11:00 a.m. to noon

Register Now!